



Century**Link**<sup>TM</sup>

Broadband Opportunities  
under the Connect America Fund Phase II  
Oregon

# **Connect America Fund Phase II (CAF II) Overview**

- CAF II is the FCC's long-term program to support sustainable and scalable broadband capable networks in high-cost areas.
- CAF II recipients will deliver broadband service with download speeds of at least 10 Mbps by the end of 2021.
- Six Year Program (2015-2020)
  - Annual funding over six years starting in 2015.
  - Obligations must be fulfilled by end of 2020, but shortfalls can be cured in 2021.
  - Annual build-out milestones starting in 2017.
- Total FCC CAF II annual budget is \$1.8 billion.

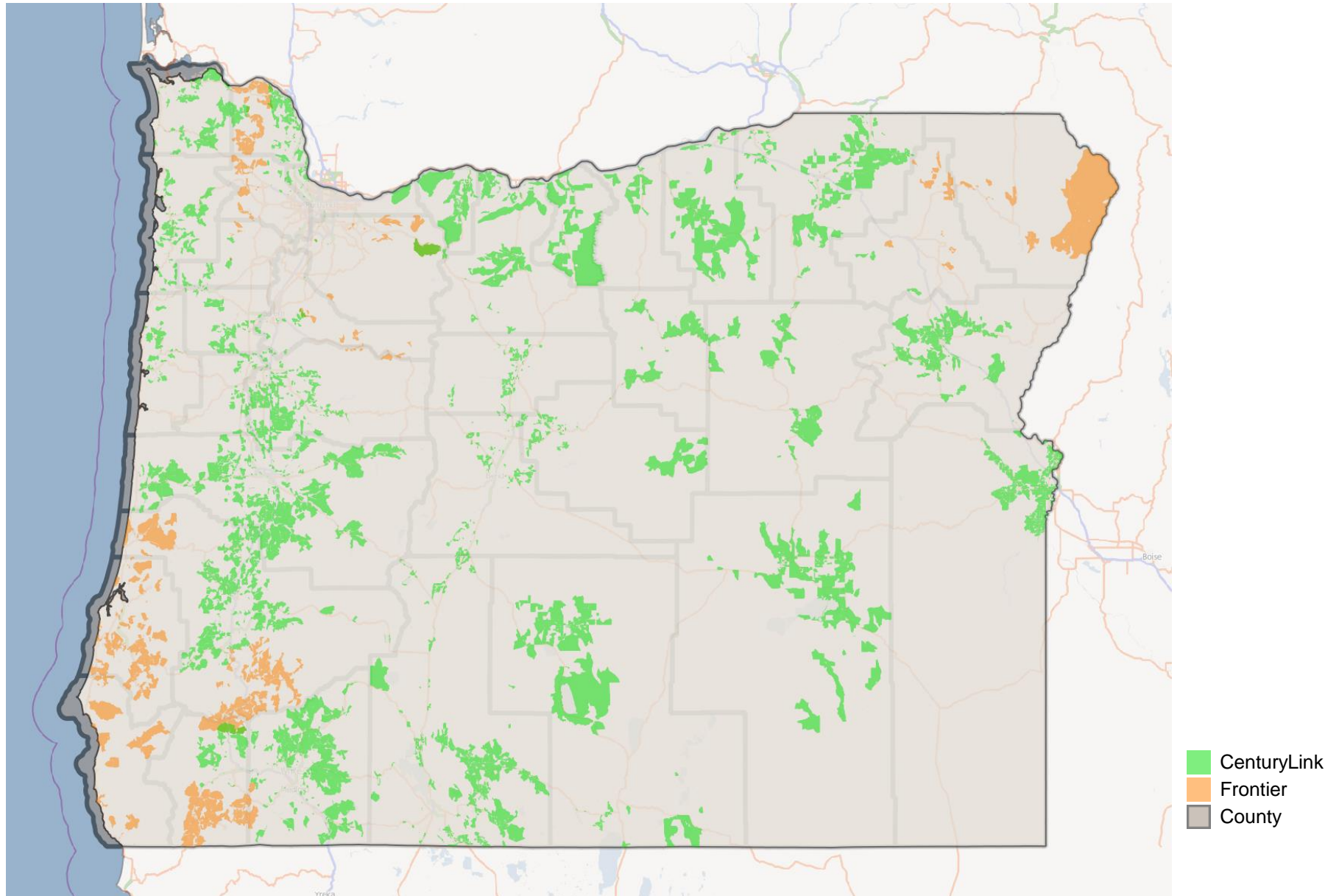
# Connect America Fund Phase II (CAF II) Overview

- FCC determined eligible census blocks and number of eligible locations based on the National Broadband Map and results of the Connect America Cost Model. Eligible census blocks are those that:
  - The CACM estimates per location costs between \$52.50 and \$198.60 per month to serve.
  - And
  - Have no competitor providing broadband of at least 4/1 Mbps.
- The FCC made the initial offers of CAF II support to price cap carriers on a state-by-state basis on April 29, 2015.
  - All providers accepted or rejected their offers by August 27, 2015.
  - Offers could only be accepted on a state-level basis to enable broadband to the required number of eligible locations in that state.

# CAF II Support Offer from FCC

- Frontier accepted its CAF II offer in all states on June 15, 2015.
  - \$283 million annually for 6 years.
  - 660,000 locations in eligible census blocks nationally.
  - In Oregon
    - ❖ \$3.9 million annual funding.
    - ❖ 8,542 locations in eligible census blocks to be served.
- CenturyLink accepted its CAF II offer in 33 states on August 27, 2015.
  - \$505 million annually for 6 years.
  - 1.19 million locations in eligible census blocks nationally.
  - In Oregon
    - ❖ \$17.8 million annual funding.
    - ❖ 41,785 locations in eligible census blocks to be served.

# CAF II Eligible Locations Oregon – Frontier & CenturyLink

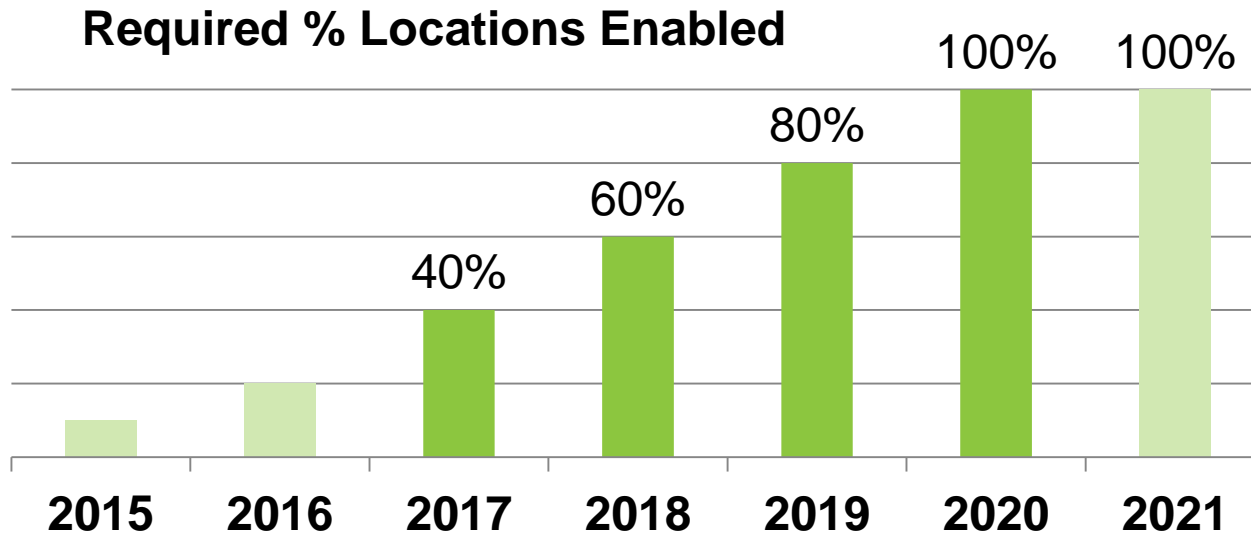


## CAF II Service Criteria

- Service Requirements: In order to qualify as a CAF II-served location, the broadband service must meet the following standards:
  - **Speed**: Network must support at least 10 Mbps / 1 Mbps.
  - **Pricing**: Must be comparable to price of service in urban areas (currently standalone broadband priced below ~\$65).
  - **Voice**: Must offer voice service.
  - **Usage**: Any established usage allowance may be no less than 100 gigabytes (GB).
  - **Latency**: Below 100 milliseconds (ms).
- Annual reporting requirements to FCC and State Commissions:
  - Progress at a state level toward meeting location milestones.
  - Certifications that service requirements are being met.

# CAF II Build-out Requirements

- Price-Cap Carriers accepting the state-level offer have 6+years to build-out with the following year end milestones:



No required milestone for 2015 & 2016, shortfalls in 2020 can be cured in 2021. By the end of 2017, at least 5% of reported locations must have previously lacked 4/1 or less.

- Build-out milestones are applied at the state level.
- CAF II program allows flexibility within eligible census blocks in order to meet state level deployment milestones.
- Provision for waiver requests in the case of extreme circumstances – adverse weather events, etc.

# Connect America Fund Phase II Implementation

- Unprecedented level of effort required to plan, manage and complete the necessary construction efforts to meet the CAF II requirements. Challenges include:
  - Remote rural nature and geographic challenges of constructing to eligible locations.
  - Limited construction windows due to weather conditions.
  - Evaluating current plant facilities to determine requirements and best timing to accomplish the required build.
  - Coordinating availability of equipment and contractor resources.
- CenturyLink and Frontier continue to develop and refine their build-out plans.
  - Until the companies' plans are more definitive, it is premature to attempt to address questions about where and when CAF II deployment will occur.